BUSINESS VALUATION OF

SALT CREEK SURGERY CENTER, LLC

AS OF JUNE 30, 2013

PREPARED BY

THE ABRIX GROUP, L.P.

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November 21, 2013

Mr. William Kottmann
Edward Hospital
801 S. Washington Street
P.O. Box 3060
Naperville, Illinois 60566

Dear Mr. Kottmann,

We have prepared and enclosed, herewith, our valuation of Salt Creek Surgery Center, LLC as of June 30, 2013. The purpose of the valuation is to render an opinion as to the fair market value of Salt Creek Surgery Center, LLC.

The term "fair market value" is defined as the price at which the property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, and both parties have reasonable knowledge of the relevant facts.

Our report is based on historical and prospective financial information provided to us by management and other third parties. Had we audited or reviewed the underlying data, matters may have come to our attention that could have resulted in our using amounts that differ from those provided. Accordingly, we take no responsibility for the underlying data presented in this report. Users of this valuation report should be aware that business valuations are based on future earnings potential that may or may not materialize. Therefore, actual results during the projection period will vary from the projections used in this valuation, and the variations may be material.

Based on our study and analytical procedures it is our opinion that the fair market value of 100% of Salt Creek Surgery Center, LLC as of June 30, 2013, is $11,762,000, excluding cash on hand, assuming all long-term liabilities are paid prior to the sale, and assuming that a restrictive covenant will be put in place. The valuation is prepared on the assumption that the sale will be a majority interest in the Center and the 100% value be adjusted accordingly to the interest purchased. However, it is the intent of both parties (buyer and seller) to calculate the final purchase price on financial data received for the full year ending on December 31, 2013. Consequently, the $11,762,000 will change as a result of the actual full calendar year performance. The Abrix Group, LP assumes no liability for any dispute that may arise when the final purchase price calculation is made, assuming the final number is not $11,762,000.

We have no present or contemplated financial interest in Salt Creek Surgery Center, LLC. Our fees for this valuation are based upon our normal hourly billing rates, and are in no way contingent upon the results of our findings. We have no responsibility to update these schedules for events and circumstances occurring subsequent to the date of this report.

These schedules have been prepared for the specific purpose of valuing Salt Creek Surgery Center, LLC as of June 30, 2013. These pages are not to be copied or made available to any persons without the express written consent of The Abrix Group, LP.

The Abrix Group, LP

INTRODUCTION

Purpose

We have performed a valuation engagement of Salt Creek Surgery Center, LLC as that term is defined in the Statements on Standards for Valuation Services of the American Institute of Certified Public Accountants. The purpose of this valuation is to establish the fair market value of Salt Creek Surgery Center, LLC as of June 30, 2013 for a potential sale of at least a majority interest of the business.

In the International Glossary of Business Valuation Terms, fair market value is defined as the price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arms' length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.

Approach

Our approach has been to determine our opinion of value, providing a fair and reasonable return on investment to an investor or owner, in view of the facts available to us at the time. Our opinion is based on, among other things, our estimate of the risks facing the business and the return on investment that would be required on alternative investments with similar levels of risk. We have applied various valuation methods in estimating the value of Salt Creek Surgery Center, LLC as of June 30, 2013.

The valuation methodology used herein is consistent with the guidelines pronounced by the Internal Revenue Service in Revenue Ruling 59-60. In determining what constitutes fair market value as it is meant in Revenue Ruling 59-60, the Service explains that the business enterprise value or going concern value is defined as the value of a company's capital structure or, alternatively, as the total value of the assembled assets that comprise the entity as a going concern.

Our valuation methodology is also in accordance with the Medicare and Medicaid anti-kickback statutes enforced by the Office of the Inspector General, as the resultant value reflects the value to a similarly situated purchasing entity, and thus take into account the future revenue stream from only the business itself.

Both internal and external factors that influence the value of the business were reviewed, analyzed and interpreted. Internal factors include the business' financial position, results of operations, and the size and marketability of the interest being valued. External factors include, among other things, the status of the industry and the impact of regulatory changes and reimbursement pressures and the position of the business relative to the industry.

The valuation professional will use one of three general approaches – market, income, or asset – each with several underlying methods. We analyzed each approach and method to determine which generates the most reasonable opinion of value of the business as of June 30, 2013. After careful consideration of each method, underlying assumptions and variables, we concluded that the most appropriate method was the market approach using a multiple of EBITDA (Earnings Before Interest, Taxes, Depreciation, Amortization) to determine the fair market value of Salt Creek Surgery Center, LLC.

Limiting Conditions

We have no present or contemplated financial interest in Salt Creek Surgery Center, LLC. Our fees for this valuation are based upon our normal hourly billing rates, and in no way are contingent upon the results of our findings. We have no responsibility or obligation to update this report for events or circumstances occurring subsequent to the date of this report.

Our report is based on historical and/or prospective financial information provided to us by management and other third parties. Had we audited or reviewed the underlying data, matters may have come to our attention which would have resulted in our using amounts which differ from those provided, accordingly, we take no responsibility for the underlying data presented or relied upon in this report. Specifically, we were not provided documentation supporting the 12 month trailing net income as of June 30, 2013. Consequently, we have relied solely on management's representation as to the accuracy of this net income. We also were not provided documentation supporting the non-recurring expenses, interest, taxes, depreciation, and amortization used in the calculation of EBITDA (Earnings Before Interest, Taxes, Depreciation, Amortization). Consequently, we have relied solely on management's representation as to the accuracy of these amounts.

We have relied upon the representations of the owner, and other third parties concerning the value and useful condition of all equipment, real estate, investments used in the business, and any other assets or liabilities except as specifically stated to the contrary in this report. We have not attempted to confirm whether or not all assets of the business are free and clear of liens and encumbrances, or that Salt Creek Surgery Center, LLC has good title to all assets.

The opinion of value included in this report assumes that Salt Creek Surgery Center, LLC will maintain its character and integrity through any reorganization or reduction/increase of any owner/manager participation in the existing activities of Salt Creek Surgery Center, LLC.

The Abrix Group, LP does not purport to be a guarantor of value. Valuation of closely held companies is an imprecise science, with value being a question of fact, and reasonable people can differ in their opinion of value. The Abrix Group, LP has used conceptually sound and commonly accepted methods and procedures of valuation in determining the opinion of value included in this report.

We have compiled certain of the information contained herein. That information, namely, but not limited to, financial statements, business history, and market overview, has been supplied by Salt Creek Surgery Center, LLC or its representatives. This information has not been audited by us, nor has it been subjected to any type of audit procedures by us, nor have we audited the books and records of the subject company. Accordingly, this report should not be construed, or referred to, as an audit examination by The Abrix Group, LP.

Any recast financial statements, forecasts or pro forma statements are the result of data provided by the subject business, its representatives, or are based on assumptions, the reasonableness of which have been agreed to by the client in the engagement. Such recasted, forecasted or pro forma statements may not anticipate the economic, socioeconomic, political, market or legal factors that may impact the operations of the subject company. Accordingly, The Abrix Group, LP makes no representations, expressed or implied, as to the validity of such recast financial statements, forecasts or pro forma statements.

The valuation analyst, by reason of performing this valuation and preparing this report, is not to be required to give expert testimony nor to be in attendance in court or at any government hearing with reference to the matters contained herein unless prior arrangements have been made with The Abrix Group, LP regarding such additional engagement.

This report is neither an offer to sell, nor a solicitation to buy securities, and/or equity in, or the assets of Salt Creek Surgery Center, LLC.

BUSINESS BACKGROUND

Ownership

For tax purposes, the business is organized as a limited liability corporation and annually files a Form 1065 U.S. Return of Partnership Income. The ownership of the partnership as of June 30, 2013, is shown in Exhibit IV.

All partners in Salt Creek Surgery Center, LLC are also partners in either Hinsdale Orthopaedic Associates or M & M Orthopaedics. Hinsdale Orthopaedics was founded in 1950 and today the practice has 29 physicians in eight offices located in the western and southwestern suburbs of Chicago. M & M Orthopaedics has 25 physicians in six locations located in the western suburbs of Chicago. It has been serving patients in the western suburbs for over 35 years. In order to remain a partner in either one of these organizations, each partner is required to buy into Salt Creek Surgery Center, LLC by his or her fifth anniversary. All salary and benefits for the physician/owners are paid through Hinsdale Orthopaedic Associates or M & M Orthopaedics.

Overview

The Salt Creek Surgery Center, LLC, located at 530 North Cass Avenue, Westmont, Illinois 60559, began providing outpatient services September 2002. The corporation was formed in May 2001 when Hinsdale Orthopaedic Associates and M & M Orthopaedics partnered to purchase the surgery center. The center is licensed (multi-specialty license) by the Illinois Department of Public Health and accredited by the Joint Commission on Accreditation of Healthcare Organizations. The most recent accreditation was received November 18, 2011 and is customarily valid for 36 months.

The medical staff is comprised of 60 surgeons, physicians, and podiatrists. Surgical procedures in three outpatient specialties are provided at the Center. Orthopedic Surgery services include treatment of muscles, bones, and cartilage. Surgeries include arthroscopic surgery, foot and ankle surgery, hand and extremity surgery, treatment of fractures, carpel tunnel surgery, and nerve and tendon repair. Pain Management services include therapeutic and diagnostic injections for pain, including back injections and nerve blocks. Podiatry services include the surgical treatment of foot and ankle disorders.

The center is overseen by a Board of managers made up of two physicians from Hinsdale Orthopaedic Associates and two physicians from M & M Orthopaedics. A chart committee exists to review patient outcomes and supervise quality of medical care provided.

Based on the practice’s gross receipts for the period 11/1/2012 to 4/30/2013, the payer mix of the business is as follows: 59% Blue Cross/Blue Shield, 19% Other Commercial Insurances, 16% Worker’s Compensation, and 6% Medicare.

The following table presents the ten most popular procedures provided by the center, in terms of charges generated for the five months ended April 30, 2013.

CPT Code	Description	Quantity	Charges
29881	Arthroscopy-knee	168	$511,379
64483	Lumbar transforaminal epidural	408	$424,473
64721	Carpal tunnel release	155	$288,655
29880	Arthroscopy knee/lat meniscectomy	84	$261,360
29888	Arthroscopy knee/acl reconstruction	30	$206,480
29827	Shoulder surgery/rotator cuff repair	39	$163,371
62311	Lumbar epidural	113	$111,288
26055	Trigger finger release	64	$88,753
29877	Arthroscopy knee/debridement	28	$87,091
29807	Shoulder/repair slap lesion	13	$72,999

Per practice management, there is currently one malpractice suit pending against the business. The claim is for approximately $15,000. Per practice management, there is no additional exposure on this claim.

Office Facility

The surgery center is in a building of approximately 11,500 square feet of rentable area. The building is leased from GM Property, LLC. GM Property, LLC is owned by the same physicians who own Salt Creek Surgery Center, LLC. The original lease agreement began on September 1, 2001 and expired on August 31, 2011. An extension of the lease agreement is currently being finalized. The lease extension expiration date is June 30, 2014. Upon June 14, 2013, the lease will continue as an automatic month to month tenancy. At that time the lease may be terminated by either the landlord or tenant upon thirty days' notice. It should be noted that for purposes of this valuation we assume that the practice would maintain its lease contract and remain at the current location if it is sold.

Photos of the exterior and interior of the practice office are shown in Exhibit A.

Staff

The staff census is reflected in the following table.

Employee	Date Hired	FTE STATUS	POSITION	Hourly Rate
Lisa M. Aue	6/2/11	.7	RN-OR	30.80
Katherine A. Barclay	6/2/08	PRN	RN-PACU	27.27
Sharon E. Booth	6/10/04	.8	Medical Records Coordinator	23.10
Grace H. Borkowicz	3/4/03	.7	RN-PACU	27.40
Colleen S. Brosnan	9/5/06	.6	RN-PACU	28.85
Lorraine H. Butler	4/6/09	1.0	RN-OR	31.40
Suzanne G. Cakora	6/21/05	.6	RN-PACU	29.55
Tracey L. Calhoun	3/1/04	1.0	Surgical Technician-OR	20.38
Vicky Coley	7/30/03	1.0	Surgical Technician-OR	21.15
Kathleen C. Cunningham	6/6/05	1.0	RN-OR	33.85
Marjorie A. Davis	10/21/04	PRN	RN-Pre-op Calls	25.00
Heather M. Dvorak	5/24/10	.6	Surgical Technician-OR	19.70
Theresa M. Fedirka	1/7/04	PRN	RN-PACU	30.05
Wendy A. Floyel	12/3/12	.2	RN-PACU	29.50
Colleen C. Foy	8/28/02	PRN	RN-PACU	29.35
Norine A. Gifford	9/15/03	1.0	Insurance Coordinator	16.65
Mary E. Grosser	7/22/02	.6	RN-PACU	32.95
Janet A. Husayni	12/5/07	PRN	RN-PACU	26.25
Maureen A. Kelly	3/2/09	PRN	RN-PACU	25.25
Lana M. Kofron	12/20/04	1.0	Radiology Technologist	29.65
Randi L. Larkin	5/25/10	.5	RN-PACU	27.30
Shawn M. Lauritzen	3/2/09	1.0	RN-OR	32.05
Janet L. Lown	9/6/06	1.0	Office Manager	25.03
Carolyn R. Maloney	10/15/02	.5	RN-PACU	31.75
Vicki R. Martinez	5/3/10	.6	Receptionist/General Office	12.75
Julie A. McDermid	1/13/04	PRN	RN-PACU	28.80
Roberta F. Schmeller-	1/10/07	PRN	RN-Pre-op Calls	24.95

Schmid				
Barbara A. Mendez	9/27/04	1.0	Nursing Assistant-PACU	16.45
Patricia A. Page	2/9/12	1.0	A/R Coordinator	16.25
Ursula M. Panico	9/4/12	1.0	RN-OR	30.00
Courtney A. Ringa	7/2/12	.3	RN-PACU	29.50
Debbie L. Scarcello	7/21/03	.5	RN-PACU	31.25
Roberta F. Schmeller-Schmid	1/10/07	PRN	RN-Pre-op Calls	24.95
Jenny L. Seddon	1/30/12	Tem	Chart Assembler	12.00
Wendy J. Steele	8/27/12	.5	RN - PACU	30.00
Elaine K. Stuart	9/18/07	PRN	RN-OR	32.00
Susan M. Swiatek	1/16/12	1.0	RN-PACU Charge Nurse	32.00
Judith A. White	7/15/02	.4	Receptionist	15.66
Gail A. Williams-Beastall	7/8/02	1.0	RN-OR Charge Nurse	36.67
Karen E. Zehe	4/27/09	1.0	RN-PACU	30.95

ECONOMIC REVIEW AND OUTLOOK

National Economy

After a nearly flat growth rate of 0.4% during the fourth quarter of 2012, U.S. economic growth picked up speed during the first quarter of 2013, but not by as much as expected. Overall, the U.S. Commerce Department reported on May 30, first-quarter growth was 2.4%, below economists' originally forecast rate of 3.0%. The 2.4% rate had been revised downward from the 2.5% reading released on April 26. Then, on June 26, the growth rate was revised downward again to a final figure of just 1.8%, held back by moderate consumer spending, weak business investment, and declining exports. In addition, the 0.4% fourth-quarter rate—which originally had been estimated at a 0.1% decline—was the lowest growth rate in two years. Previously, the Commerce Department had revised the growth rate for the third quarter of 2012 upward to 3.1% from earlier readings of 2.0% and 2.7%. Most economists do not believe the fourth quarter's flagging growth nor the first quarter's lower-than-projected rate signal that a new recession is on the way, however, pointing out that the economy is still expected to grow by at least 2.0% for all of 2013.

On January 30, the Federal Reserve declared that it was leaving in place the monthly bond-buying stimulus plan it had launched in October—now pegged at $85 billion a month—arguing that support was still needed to lower unemployment. The Fed on May 1 reaffirmed its commitment to this third round of quantitative easing ("QE3"). However, on May 23, Fed chairman Ben Bernanke laid out conditions that might cause the Fed to reduce its monthly purchases of U.S. Treasuries and mortgage-backed bonds, raising concerns in the financial sector that the accommodating monetary policy soon might end. On July 11, Bernanke allayed these concerns, saying the Fed thought stimulus was still needed.

The U.S. Federal Reserve, on March 21, released new forecasts for economic growth in the coming years, but foresaw only minimal short-term improvements. The Fed's projection for GDP growth in 2013 of from 2.3% to 2.8% was down slightly from its December forecast of from 2.3% to 3.0%. The slight decline was positive news only in that it came in the face of the ongoing Federal budget sequester. Further, according to The New York Times, "other identifiable threats, including the euro crisis, rising oil prices, and dysfunctional politics, don't seem as dire as they did in 2012." Previously, the Fed reported that it saw growth coming in at no higher than 3.5% in 2014 and at no higher than 3.7% in 2015.

The U.S. Labor Department reported on July 5 that the number of people who held jobs in June rose for the tenth straight month, with 195,000 new positions having been added. Economists had expected an increase of only 165,000 new jobs. The Department also raised job-growth estimates for the previous two months: April's new-jobs rate climbed by 50,000 to 199,000 and May's count jumped by 20,000 to 195,000. Many of the increases, however, were concentrated in lower-paying professions. For instance, the majority of June's gains, 75,000, came in the hospitality industry of bartenders and waiters, while higher-paying manufacturing jobs posted a decline of 6,000 for the month.

After having fallen from 7.9% in January to 7.5% in April, the U.S. unemployment rate ticked back up to 7.6% in May, even while the number of new jobs grew by 199,000. A key reason for the rate's increase was that the nation's labor force participation rate actually edged up in May, rising for the first time since last October. Thereafter, the rate held steady at 7.6% for June, with an increase in the unemployed ranks of 17,000 partially offsetting the 195,000 in job gains. According to a July 5 report from the U.S. Department of Labor, the number of long-term unemployed individuals in June (those jobless for 27 weeks or more) edged down to 4.3 million, down from 4.4 million in May. These individuals accounted for 36.7% of the unemployed last month (versus 37.2% last month). Over the past 12 months, the number of long-term unemployed has declined by 1.0 million.

After rising during the late summer and early fall of 2012, the U.S. (U-6) underemployment rate, defined as unemployed individuals plus part-time workers who would prefer to be working full-time, declined from 14.7% last September to 13.8% in

May. In June, however, the rate jumped back up to 14.3%, according to a July 5 report from the U.S. Department of Labor.

The number of Americans filing new applications for unemployment benefits fell by 18,000 to 324,000 during the first week of May, the lowest level since January 2008. Subsequently, the number of new unemployment filers climbed to 357,000 during the last week of May, but fell back to 343,000 during the last week of June, according to a July 3 Labor Department report.

In its most recent formal assessment, released on March 20, the U.S. Federal Reserve projected that the U.S. unemployment rate would fall to no lower than 6.7% by year-end 2013 and to no lower than 6.0% in 2014. These rates are down marginally from the Fed's December figures.

By the end of the third quarter of fiscal 2012, the new debt accumulated by the Federal government during the 2012 fiscal year had exceed $1 trillion for the fourth year in a row, the U.S. Treasury Department reported on July 23. Subsequently, on October 1, the Treasury Department announced that debt for fiscal 2012, which ended on September 30, had reached $1.276 trillion, up $10,855 per household in just 12 months. Prior to fiscal 2008, the Federal government had never increased its debt by as much as $1 trillion in a single fiscal year. Based on figures from the first three months of the new fiscal year, the Federal budget deficit is on track to exceed $1 trillion for the fifth straight year. The Federal government actually posted its narrowest December deficit for the past five years, a mere $260 million, but that was due largely to the fact that a large number of taxpayers paid their taxes early in order to avoid next year's higher tax rates. For the fiscal year's first three months as a whole, however, the government still has registered deficits of $292 billion. The U.S. Department of the Treasury reported on September 4 that total public outstanding debt in the United States had climbed to $16.02 trillion, the first time in U.S. history that the public debt had breached the $16 trillion level, and now stands at $16.39 trillion. The debt has risen by more than 50%, or $5.8 trillion, since January 2009.

The U.S. Senate, on a 50 to 49 vote, approved its first budget in four years—a $3.7 trillion measure for Fiscal Year 2014 that, accordingly to a March 23 report in The New York Times, "would fast-track passage of tax increases, trim spending gingerly, and leave the government still deeply in debt a decade from now." The FY 2014 Federal budget would sharply increase Federal spending over the next decade, according to figures from the Senate Budget Committee, which crafted the budget. Specifically, the budget would raise spending by 62% over the decade, from $3.6 trillion in 2013 to $5.7 trillion in 2023.

On March 12, House Republicans led by House Budget Committee Chairman Paul Ryan (R-Wisc.) released a 10-year budget that would reduce tax rates and slash spending much more deeply than the budget put forward on the same day by Senate Democrats. Specifically, the Ryan budget would balance spending and revenues in 10 years without raising taxes and would reduce spending over the next decade by $5.7 billion as compared to baseline projections from the Congressional Budget Office.

After achieving record highs several times during the first quarter, the Dow closed out Q1 by logging its strongest quarter in 15 years. Similarly, the S&P 500 ended the quarter by piercing through levels last seen in 2007. Subsequently, by the first week of May, the Dow had hit 15,000, achieving an all-time record, and then continued upward, reaching 15,238 by June 10. Stocks thereafter slipped below 15,000 for most of the second half of June before climbing back to 15,135 on July 5. Thereafter, on July 11, the Dow and the S&P 500 again ended at all-time highs, with the Dow shooting up by 1.1% to 15,461 and the S&P finishing at 1675. The Nasdaq finished at 15,578, its best close since 2000.

According to a March 20 report on CNBC, Federal Reserve Chairman Ben Bernanke is not worried about any adverse consequences of the recent runup in stock prices. While conceding that cheap money supplied by the Fed has played a key role in raising stock prices, he said that the recent advances were not out of line with historical patterns. “I don't think it’s all that surprising that the stock market would rise given that there has been increased optimism about the economy and... profit increases have been substantial,” he said.

After contracting by a revised 0.4% in April, U.S. industrial production edged up by 0.1% in May for the first increase in three months, signaling that the worst of the ongoing industrial slump may be over, the U.S. Federal Reserve reported on June 14. Economists had expected a 0.2% rise. Capacity utilization dropped to 77.6% in May from 77.8% in April and from 78.3% in March.

After unexpectedly contracting in May following five straight months of gains, the U.S. manufacturing sector rebounded in June, according to a July 1 report from the Institute for Supply Management (ISM), a private trade group. The group’s index of manufacturing activity rose to 50.9 in June from 49.0 in May, a jump of 1.9 percentage points. Any measure above 50 indicates expansion, while any reading below 50 signifies contraction.

The Institute for Supply Management, on April 30, released its Semiannual Economic Forecast, projecting that the manufacturing sector would continue to grow throughout 2013. The ISM’s panel of purchasing and supply executives expects a 4.8% net increase in overall revenues for 2013 as compared to a 4.0% increase in revenues in 2012. Fully 66% of panel members expect 2013 revenues to be greater than those of 2012.

After rising by 1.0% in April, new U.S. factory orders climbed by another 2.1% in May the U.S. Commerce Department reported on July 2. The gain, which was helped along by a third straight month of stronger business investment, suggests that manufacturing may finally be picking up after a weak start to the year. After climbing by an upwardly revised 3.6% in April, new U.S. durable goods orders grew by an identical 3.6% in May, the U.S. Commerce Department reported on June 25. Most of the increase was due to a surge in commercial aircraft orders, which tend to fluctuate sharply from month to month. Still, businesses also ordered more computers, communications equipment, machinery, and metals. Excluding transportation and defense orders, the measure still rose by a strong 1.1% in May, approximately equal to the rise in each of March and April.

U.S. workers and businesses improved their productivity during the first quarter of 2013 after a sharp drop in the waning months of 2012, the U.S. Labor Department reported on May 2. Specifically, nonfarm productivity rose by 0.7% on an annualized basis during the quarter. Previously, productivity contracted at an annual rate of 2.0% during the October-to-December quarter, the biggest drop since the first quarter of 2011. Before that, productivity climbed by 2.2% in the second quarter of 2012 and by 3.2% in the third quarter of 2012.

After rising by 1.5% in March and by 2.3% in April, U.S. sales of new homes in May rose by 2.1% over April's level, climbing to a seasonally adjusted annual rate of 476,000, the U.S. Commerce Department reported on June 25.

After breaking the 1 million mark in in March for the first time since June 2008, U.S. housing starts plunged by 16.5% in April to a seasonally adjusted annual rate of 853,000. However, in May, starts rebounded by 6.8% to an annualized rate of 914,000 units, the U.S. Commerce Department reported on June 18. Economists had expected a rise to 950,000 units.

After climbing in April to their highest level in more than three years, U.S. sales of existing homes rose again in May, jumping by 4.2% to a seasonally adjusted annual rate of 5.18 million, the National Association of Realtors reported on June 20. After rising by 12.1% in April, U.S. single-family home prices soared by 12.2% in May, reaching their highest level in seven years. The back-to-back increases suggest that the U.S. housing recovery may be strengthening.

The U.S. home-ownership rate continued to drop in the first quarter of 2013, reaching the lowest level since 1995, the U.S. Census Bureau announced on April 20. The home-ownership rate fell from 65.5% in Q3 2012 to 65.4% in Q4 2012 and to 65.0% in Q1 2013. Home ownership peaked in Q1 2005 at 69.1%.

According to a June 13 report from RealtyTrac, the leading online marketplace for real-estate foreclosure data, foreclosure filings were reported on 148,052 U.S. properties in May, an increase of 2% from the 75-month low in April but still down 28% from one year earlier. For the first quarter of 2013, foreclosure starts took place on 1.5 million homes, up by 9% from the first quarter of 2012, but still down by 32% from the December 2010 peak.

After rising in both April and May, the Conference Board’s Consumer Confidence Index increased again in June, and now stands at 81.4 (1985=100), up from 74.3 in May and from 69.0 in April. The Present Situation Index increased to 69.2 from 64.8, while the Expectations Index improved to 89.5 from 80.6 last month. Said Lynn Franco, Director of Economic Indicators at The Conference Board: “Consumer confidence increased for the third consecutive month and is now at its highest level since January 2008... Consumers are considerably more positive about current business and labor market conditions than they were at the beginning of the year. Expectations have also improved considerably over the past several months, suggesting that the pace of growth is unlikely to slow in the short-term, and may even moderately pick up.”

After reaching its highest level in almost six years in May, U.S. consumer sentiment, as measured by the Thomson Reuters/University of Michigan's Consumer Sentiment Index, fell back in June, dropping from a final May reading of 84.5 to a preliminary June reading of 82.7.

U.S. consumer sentiment, as gauged by the Bloomberg Consumer Comfort Index, climbed by the end of June to its highest level in more than five years as Americans, in Bloomberg’s words, “became increasingly convinced that the time is right to spend.” Specifically, the index rose to minus 27.5 in the period ending June 30, its highest level since January 2008, climbing from a minus 28.3 reading one week earlier. A key factor in the upswing was the existence of positive measures of the personal finance and buying climates.

After declining by less than 0.1% in April, personal incomes in the United States rose in May by 0.5%, more than double analysts’ estimates, the U.S. Commerce Department reported on June 27.

The median net worth of American households has dropped to a 43-year low as the lower and middle classes appear poorer and less stable than they have been since 1969, according to a recent study by New York University economics professor Edward N. Wolff. Moreover, according to an analysis by the U.S. Federal Reserve, released on May 30, American households have rebuilt less than half of the wealth lost during the recession.

According to a study by the Urban Institute, as reported in the April 28 edition of The New York Times, the racial wealth gap has widened since the recession. Before the recession, non-Hispanic white families, on average, were about four times as wealthy as nonwhite families. By 2010, whites were six times as wealthy.

Data released by the U.S. Census Bureau on November 15 indicate that American poverty levels continue to climb, with 49.7 million Americans in poverty in 2011 versus 49.0 million in 2010. At least 20% of the nation's children are now classified as poor.

The amount of money that the Federal government distributes in direct payments to individuals has risen by 32% over the last three years—an increase of nearly $600 billion. The most recent Federal budget calls for another $500 billion increase by 2016. Over the previous two years, the percentage of American families relying on some form of government payment has risen by 23%.

After falling in April for the first time in nearly a year, U.S. consumer spending rebounded in May, the U.S. Commerce Department reported on June 27. Overall, spending—which had slipped by 0.2% in April—rose by 0.3% in May. Consumer spending represents about two-thirds of U.S. economic activity. On a seasonally adjusted basis, the U.S. Consumer Price Index (CPI) for all goods increased by 0.1% in May after falling by 0.4% in April. The index for all items less food and energy rose by 0.2% in May after edging up by 0.1% in April.

The Producer Price Index (PPI) for finished goods—often, a harbinger of future consumer price movements—rose by 0.5% in May after having posted an identical increase in April. With food and energy prices excluded, producer prices rose by 0.1% in May after having climbed by the same 0.1% in April.

U.S. oil prices on soared by more than 2% on July 2, climbing to a 14-month high just under $100 barrel following a decline in crude stockpiles and concerns that unrest in Egypt could disrupt oil supplies from the Middle East. U.S. retail gasoline prices (regular unleaded) rose steadily for the first part of the year, climbing from $3.30 per gallon on January 7 to $3.76 on March 4. However, by May 6, they had slipped back to $3.54 per gallon. After a run-up in June, retail gas prices fell back to $3.49 per gallon on July 8.

State Economy

Illinois, covering an area of 57,918 square miles, is the most populous and demographically diverse Midwestern state and the fifth most populous state in the nation. The biggest city in Illinois by population and industrial production is Chicago. The most populous cities are Chicago (with a population of 2.7 million within the city limits), Aurora, Rockford, and Joliet. Located at the center of the nation with excellent transportation infrastructure, Illinois is a national crossroads for air, auto, rail, and truck traffic. Airports in the Chicago area are O'Hare International Airport and Midway International Airport. Illinois has an extensive passenger and freight rail transportation network. Interstate highways crossing Illinois include I-24, I-39, I-55, I-57, I-64, I-70, I-72, I-74, I-80, I-88, I-90, and I-94.

Many well-known companies have headquarters in Illinois, including Abbott Laboratories, Allstate, Baxter International, Brunswick Corporation, Boeing Co, CDW, Hewitt Associates, Illinois Tool Works, McDonald's Corporation, Motorola, United Airlines, Walgreen's, etc.

However, Illinois has been impacted by the global economic downturn just as much as the rest of the US and in some cases more. According to the Illinois Department of Employment Security, the unemployment rate during November 2011 for Illinois was 10.1%, exceeding the national average.

According to the U.S. Bureau of Economic Analysis, Illinois's gross state product in 2011 was $670.73 billion and ranked fifth in the United States. In 2011, Illinois had a per capita personal income (PCPI) of $43,721. This is 105% of the national average of $41,560. The 2011 Illinois PCPI reflected an increase of 4.0% from 2010. The 2010-2011 national change was 4.4%.

Agriculture

More than 28 million acres are farmed in Illinois. Illinois's agricultural outputs are corn, soybeans, hogs, cattle, dairy products, and wheat. For many years Illinois was the leading state for the production of soybeans, with a harvest of 466 million bushels in 2010. Illinois farmers received the highest average price nationwide at $12.40 per bushel. Total Illinois soybean value was $5.779 billion last year, edged out for the top only by Iowa. Illinois is ranked second in total corn production. Livestock is a small but steady sideline for farmers, although the state remains a large producer of hogs.

Manufacturing

The largest contributor to real GDP growth in Illinois is durable goods manufacturing. This industry accounted for .67 percentage point of the total growth in real GDP. The second largest contributor was wholesale trade. This industry accounted for 0.21 percentage point of the total growth in real GDP.

The Illinois manufacturing industry includes about 15,700 companies with combined annual revenue of $258 billion. Manufacturing employs about 663,600 with an annual payroll of $32 billion. Major manufacturing sub-sectors include petroleum and coal products (valued at $34 billion); chemicals ($34 billion); food products ($34 billion); machinery ($31billion); and transportation equipment ($24 billion). The industry contributes $84.3 billion to gross state product, representing 12.9% of Illinois's total gross state product. Annual capital expenditures total $9.9 billion. Issues impacting manufacturers include raw material, labor, and energy costs; foreign competition; labor, pollution, and foreign trade regulations; supplier and customer consolidation; capital equipment and facility expenses; quality control; and labor relations. Illinois manufacturing industry annual exports total about $46.3 billion. Annual labor turnover is 4.1%.

Illinois transportation and warehousing industries include about 9,900 companies with combined annual revenue of $19 billion. Transportation and warehousing industries employ approximately 181,900 with an annual payroll of $5.9 billion. Large sub-sectors include air transport (valued at $12 billion); trucking ($11.3 billion); support activities for transportation ($5.6 billion); and couriers and messenger ($3.3 billion). The industry contributes $21.9 billion to gross state product, representing 3.4% of Illinois's total gross state product. Issues impacting the transportation and warehousing industry include fuel, equipment, and building costs; port traffic and shipment flows; security and freight theft; vehicle pollution regulations and maintenance; driver shortages and licensing; technology for logistics and shipment tracking. Annual labor turnover is 6.1%.

Services

In 2010, the largest industry in Illinois was real estate and rental and leasing. This industry accounted for 12.8% of Illinois GDP and had 0.2% real growth. The second largest industry was finance and insurance, which accounted for 10.6% of Illinois GDP and had 1.5% real growth.

Healthcare

The IL healthcare industry includes about 31,000 companies with combined annual revenue of $70 billion. The healthcare industry employs approximately 706,700 with an annual payroll of $28 billion. The largest healthcare subsectors include ambulatory services (valued at $27 billion) and hospitals ($31 billion). The industry contributes $47.8 billion to the gross state product, representing 7.3% of Illinois's total gross state product. Issues impacting the healthcare industry include government regulation of Medicare/Medicaid, doctor/nurse shortages, medical malpractice suits, and care for uninsured patients. About 13% of IL residents lack health insurance. Annual labor turnover is 6.4%.

Culture

Illinois' cultural scene is dominated by Chicago, which is one of the leading cultural centers in the country. Boasting dozens of art, science, history, and natural history museums, as well as outstanding private libraries and theater, dance, and opera companies, Chicago rivals New York City in its cultural pursuits. Over the years, the city has become renowned for several distinct styles in various avenues of the arts. Following the Chicago Fire of 1871, a new school of architecture emerged, known as the Chicago Style, which was groundbreakingly modern and produced some of the 20th century's greatest architectural talents, including Frank Lloyd Wright. During the 1920s, Chicago became the meeting place for some of the best jazz and blues musicians in the world. An annual blues festival continues to secure Chicago's place as the world's blues capital. With a large, multiethnic population, Chicago also hosts numerous ethnic festivals throughout the year, celebrating a wide range of cultures through dance, music, costume, and food. The rest of Illinois also supports fine art museums, symphony orchestras, and performing arts groups. Illinoisans are proud of the state's history, focusing particularly on the state's role in settling the West and its wild Prohibition days when Chicago served as home to colorful bootleggers and their speakeasy nightclubs. Illinois also boasts of two of the state's most famous native sons, presidents Abraham Lincoln and Ulysses S. Grant. Historical markers and museums are located throughout the state commemorating its rich history.

Financial

Illinois ended FY2012 with a deficit of $8.3 billion. Although the state reduced spending, any benefits were negated by higher pension costs and increased borrowing costs. Illinois widening deficit, huge unfunded pension liability, inability to pay its bills on time, and lowered bond ratings have made the state a major financial worry. Money raised through the increased income tax rate is being absorbed by Medicaid and the state's pension plans. It is not able to help pay the state's debts.

The state economy should be analyzed in performing a valuation to help to determine specific risks associated with the particular region in which the Company operates. In this instance, the state economy is performing poorly in many areas and could have a negative impact on all businesses in Illinois including Salt Creek Surgery Center, LLC.

Local Economy

The city of Westmont, located approximately 18 miles west of Chicago, is located in DuPage County of Illinois. According to the United States Census Bureau, the city has a total area of 5.14 square miles. 5.03 square miles of it is land and 0.11 square miles of it is water. The Ty toy company and The Great American Bagel Bakery are headquartered in Westmont.

Edward Hospital is a full-service inpatient and outpatient medical center offering health services, behavioral health services, a medically based fitness center, and a sport medicine program to the residents of Naperville, Westmont, and the surrounding areas.

The population within the 10 mile radius of the surgery center increased from 1,029,876 to 1,039,847 resulting in an increase of .97% between 2010 and 2013. Over the next five years, the population in this area is projected to increase to 1,054,077 from 2013 to 2018. Over the next five years, between 2013 and 2018, the U.S. population is projected to grow by 3.3%. Therefore, the population around the office is growing at a slower rate than the national average.

According to the Claritas Site reports, the population in the 10 mile radius of the office is 73.05% White, 9.72% African American, 0.28% American Indian and Alaska Native, 6.59% Asian, 8.04% some other race, and 2.32% are two or more races. This area's current estimated Hispanic or Latino population is 19.6%, while the United State's current estimated Hispanic or Latino population is 17.3%. According to the 2013 data describing the population within a 10 mile radius of the practice office, the age group of 55 and over was 26.61% of the population. The age group of 35-54 constituted 27.85%, 25-34 constituted 11.85%, 18-24 made up 9.00% and those younger than age 18 made up 24.57% of the population. The 2013 median age is 38.9 and the average age is 38.8. The 2013 median age for the United States is 37.5, while the average age is 38.3.

The average household income within the 10 mile radius of the office is estimated to be $92,788 for 2013, while the average household income for the United States is estimated to be $69,637 for the same period. The average household income in this area is projected to increase to $95,292 over the next five years. Over the same time period, the average household income in the United States is projected to grow to $71,917. It is estimated that approximately 16% of households in the area will have income less than $50,000 in the year 2013.

The following table describes the households by household income within the 10 mile radius of the office.

2013 Est. Households by Household Income	# Households	%
Income < $15,000	28,582	7.43
Income $15,000 - $24,999	34,495	8.97
Income $25,000 - $34,999	34,465	8.96
Income $35,000 - $49,999	47,152	12.26
Income $50,000 - $74,999	70,232	18.26
Income $75,000 - $99,999	51,996	13.52
Income $100,000 - $124,999	39,118	10.17
Income $125,000 - $149,999	24,467	6.36
Income $150,000 - $199,999	26,246	6.82
Income $200,000 - $249,999	9,102	2.37
Income $250,000 - $499,999	13,561	3.52
Income $500,000+	5,306	1.36

The local economy and population growth rates are important aspects to consider when performing a business valuation. The local economy represents the immediate environment in which the company operates. The household income of the area practice office is higher than the national average and the population is expected to increase, although at a slower rate than the national growth rate, over the next five years. These two factors, plus the relative stability of the Westmont economy, indicate that there is little risk associated with the local economy and population that would affect the Company.

FINANCIAL REVIEW

Historical Financial Statements

We were provided the tax returns for the years ended December 31, 2009, December 31, 2010, December 31, 2011, December 31, 2012 and financial statements for June 30, 2013. A review of these tax returns allows us to determine the operational history of the company to draw inferences as to future performance. Annual cash distributions to the owners are provided on the tax returns. The distributions to owners for the years ended December 31, 2009, December 31, 2010, December 2011, and December 2012 were $700,000, $1,050,000, $1,600,000, and $1,500,000 respectively. The tax returns were prepared by Ostrow, Reisin, Berk & Abrams, Ltd. located in Chicago, Illinois. They were prepared on a cash basis.

Exhibit I presents the historical income statement of the Center. The total income for the years ended December 31, 2009, December 31, 2010, December 31, 2011, and December 31, 2012 on a cash basis were $5,059,385, $5,563,716, $6,587,314, and $5,572,548, respectively. Total income is made up of patient receipts, interest income, and other income, reduced by the contractual allowances with the insurance companies. The 12 month trailing net income (as of June 30, 2013) was provided by management. We were provided no documentation supporting the 12 month trailing net income as of June 30, 2013. As a result, we have relied solely on management's representation as to the accuracy of this amount.

Exhibit II presents the adjusted revenue of the Center. In this exhibit, the total revenue from Exhibit I is reduced by the interest income and other income amounts to derive the revenue derived from patient receipts. Total patient receipts for the years ended December 31, 2009, December 31, 2010, December 31, 2011, and December 31, 2012, are $5,056,105, $5,557,333, $6,581,040, and $5,567,316, respectively. The patient receipts increased 9.91% from 2009 to 2010, increased 18.42% from 2010 to 2011, and decreased 15.40% from 2011 to 2012, resulting in a compounded growth rate of 3.26% from 2009 to 2012.

Exhibit III reflects the operating expenses per the tax return for the years ended December 31, 2009, December 31, 2010, December 31, 2011, and December 31, 2012. They were as follows: $4,156,867, $4,277,160, $4,375,763, and $4,100,315 respectively. From these amounts we subtracted depreciation that was included as an expense for purposes of the tax returns. Depreciation is a non-cash expense and should not be included in total operating expenses. We also subtracted interest expense to reflect that interest is not an operating expense. Because the building is owned by the same owners as the Company, the rent expense was reviewed to determine whether it was fair market value. Using information from two commercial brokers, it was determined that the fair market value rent for the area averages at $34 per square foot. For purposes of this valuation, we utilized the rate of $34 per square foot as fair market value. Multiplying $34 by the total square footage of the office (as supplied by management), 11,500, results in an annual fair market rent of $391,000. The normalized rent adjustments shown in Exhibit III reflect the difference between $391,000 and the amount of actual rent expense plus facitities expense deducted on the financial statements. The adjusted operating expenses for the years ended December 31, 2009, December 31, 2010, December 31, 2011, and December 31, 2012, are $4,046,981, $4,184,539, $4,233,068, and $4,044,864 respectively. The operating expenses increased 3.40% from 2009 to 2010, increased 1.16% from 2010 to 2011, and decreased 4.45% from 2011 to 2012, resulting in a compounded growth rate of negative .02% for 2009 through 2012.

CONCLUSION OF VALUE

I. BUSINESS VALUATION METHODOLOGY

Overview

Business valuation methodology is based on two principles: "the principle of substitution" and "the principle of future benefits". The principle of substitution states that the value of property tends to be determined by the cost of acquiring an equally desirable substitute. In other words, a person will not purchase a particular asset if such a substitute can be purchased at a lower price.

The principle of future benefits states that the economic value of an investment reflects anticipated future benefits, not past performance. Although the past may serve as a proxy for the future, a business that has had poor earnings in the past but bright future prospects will be worth more than a business that has been successful in the past but is not expected to be as profitable in the future.

The fair market value of securities trading on an active public market is determined by actual market quotations on a particular date, unless the market for a security is affected by some abnormal influence or condition. Determination of fair market value of securities of closely held corporations, however, cannot be as precisely determined, thus creating the need for alternative valuation methodologies. Section 3.01 of Revenue Ruling 59-60 acknowledges the disparate results that may occur:

> *A determination of fair market value, being a question of fact, will depend upon the circumstances in each case. No formula can be devised that will be generally applicable to the multitude of different valuation issues arising in estate and gift tax cases. Often, an appraiser will find wide differences of opinion as to the fair market value of a particular stock. In resolving such differences, he should maintain a reasonable attitude in recognition of the fact that valuation is not an exact science. A sound valuation will be based upon all the relevant facts, but the elements of common sense, informed judgment and reasonableness must enter into the process of weighing those facts and determining their aggregate significance.*

IRS Revenue Ruling 59-60 changed the way businesses are valued and is the cornerstone of the valuation process. Among other things, Ruling 59-60 states that valuation is a forward-looking process but must be based on facts available as of the required date of appraisal.

The commonly used methods of valuation are discussed below:

Income Approach

The application of the income approach establishes value by methods that capitalize future anticipated benefits, such as cash flow, by a discount or capitalization rate that reflects market rate of return expectations or conditions as well as the relative risk of the investment. Generally, this can be accomplished by the capitalization of earnings or cash flow method and the discounted cash flow (DCF) method.

When applying the income approach we use cash flow as the type of earnings to use as a measurement of economic income. The use of net cash flows is preferred because cash flows represent the type of earnings that most investors are seeking and expect to receive from their investments. In addition, net cash flows take into consideration the future expected working capital needs, capital expenditures, and changes in long-term debt necessary to support the projected earnings of the company.

Although the use of the income approach was considered, we did not rely upon this method because it was not a reasonable indication of value.

Market Approach

Value can be determined using the market approach by comparing the business to similar businesses, business interest, or securities that are for sale or have been sold. Generally, this can be accomplished by a comparison to publicly traded guideline companies or by an analysis of actual transactions of similar businesses sold. The criteria for comparability in the selection of publicly traded guideline companies or guideline transactions include business and operational characteristics, size measures, growth rate patterns, earnings trends, markets served, and risk characteristics.

We did not use either the guideline public company method or the guideline transaction method to calculate a value of Salt Creek Surgery Center, LLC as we were not satisfied that there were companies similar enough to this company to make useful comparisons that would translate into calculating a value of it. However, we performed additional research into applicable market multiples, specifically using EBITDA (Earnings Before Interest, Taxes, Depreciation, Amortization) to determine fair market value. Our consideration of the relevant factors led us to conclude that the value of Salt Creek Surgery Center, LLC is most appropriately determined using a market multiple of EBITDA.

Asset Based Approach

The asset approach establishes value by measuring the fair market value of assets by the cost of reproducing or replacing them, less an allowance for deterioration and obsolescence. This total adjusted asset value is then reduced by the fair market value of all liabilities.

This approach is usually of greater importance when valuing investment or holding companies as well as in the valuation of asset-intensive operating companies with modest profitability, but may be used for valuing individual components of a business enterprise. We considered the use of this method; however the net asset value of Salt Creek Surgery Center, LLC is relatively insignificant, as is generally the case with service businesses, we did not rely upon this method because it was not a reasonable indication of value.

II. CALCULATION OF VALUE

Overview

Determining the value of closely held businesses presents a challenge because of the lack of a ready market. Securities which have an active public market with actual market quotations are more easily valued by reference to the marketplace for the particular security at a point in time. Contrary to this, the value of closely held securities must be determined by a process of careful and impartial analysis.

The principles which have governed this valuation provide a basis for the determination of value where an active market for a company's securities is lacking. Our valuation process analyzed the earning power of Salt Creek Surgery Center, LLC and the ability of the company to convert this earning power into value.

It is important to note that in the valuation of a closely held business, no single method is an absolute. To produce a sound conclusion, the professional valuator uses as many or as few of the different methods that are appropriate under the given circumstances of the situation and for which the necessary information is available.

Revenue Ruling 59-60, Section 3, *Approach to Valuation*, Paragraph 3 states:

> *… valuation of securities is, in essence, a prophesy as to the future and must be based on facts available at the required date of the appraisal. As a generalization, the prices of stocks which are traded in volume in a free and active market by informed persons best reflect the consensus of the investing public as to what the future holds for the corporation and industries represented. When a stock is closely held, is traded infrequently, or is traded in an erratic market, some other measure of value must be used.*

Section 4, *Factors to Consider*, also states:

> *… in the valuation of the stock of closely held corporations or the stock of corporations where market quotations are either lacking or too scarce to be recognized, all available financial data, as well as all relevant factors affecting the market value, should be considered.*

Valuation Method Selected

Our consideration of the relevant factors in the case at hand led us to conclude that the value of Salt Creek Surgery Center, LLC for the intended purpose of this report, is most appropriately determined by use of the EBITDA market multiple. In the sections below, we discuss this approach as well as the discounted cash flow approach. These approaches are consistent with Revenue Ruling 59-60, Section 5, *Weight Accorded to Various Factors*:

The valuation of closely held corporate stock entails the consideration of all relevant factors as stated in Section 4. Depending upon the circumstances in each case, certain factors may carry more weight than others because of the nature of the company's business. To illustrate:

(a) Earnings may be the most important criterion of value in some cases whereas asset value will receive primary consideration in others. In general, the appraiser will accord primary consideration to earnings when valuing stocks of companies which sell products or services to the public…

Market Approach Using Market Multiple

We performed additional research into applicable market multiples, specifically using EBITDA (Earnings Before Interest, Taxes, Depreciation, Amortization) to determine fair market value. Per Merritt Healthcare Solutions, "there is currently a robust, active market for the acquisition of ambulatory surgical centers and endoscopy centers." For centers with consistent earnings history, diversified revenue base, and strong growth prospects, the multiple is in the 7 times earnings range. Per the 2013 VMG Health ValueDriver Ambulatory Surgical Care Survey, a majority of control-level (greater than 50%) transactions occurred between 5 times and 7 times EBITDA. Also per the survey, a majority of respondents were willing to pay a premium for an ASC of .25 to .75 for an ASC with a Certificate of Need. In compiling the survey, VMG spoke with leaders of the nation's twenty largest and most well respected Ambulatory Surgical Center management and operating companies. Per a 2012 article by Becker Healthcare, multiples for serious, very strong ambulatory surgical centers are in the 6.5 to 7.5 EBITDA range.

We have determined the appropriate multiple to use in valuing Salt Creek Surgery Center, LLC to be 7 times EBITDA. Per the VMG Health ValueDriver ASC Survey, multispecialty centers tend to be valued higher than single specialty centers mostly because their diversified specialties help to spread risk and position them well for new payment models under health reform. Salt Creek Surgery Center is licensed as a multi-specialty facility. Because a large percentage of the services provided are in one specialty, we did not feel that a valuation multiple greater than 7 would be appropriate. Two additional factors supporting a 7 times EBITDA multiple are that the Center has room for expansion to allow for future growth and that the large number of physician/owners reduces the risk of profit reduction if a physician decides to leave.

Per Exhibit V, multiplying the EBITDA of $1,680,304 by seven, results in a fair market value of $11,762,128.

III. CONCLUSION OF VALUE

This valuation has been prepared by The Abrix Group, L.P. to establish the fair market value of Salt Creek Surgery Center, LLC for purposes of a sale of a partial interest of the Center. It is our opinion that as of June 30, 2013, the total fair market value of Salt Creek Surgery Center, LLC, excluding cash on hand, assuming that all long-term liabilities will be paid by the seller prior to sale, and assuming that a restrictive covenant will be put in place, is $11,762,128, rounded to $11,762,000. However, it is the intent of both parties (buyer and seller) to calculate the final purchase price on financial data received for the full year ending on December 31, 2013. Consequently, the $11,762,000 will change as a result of the actual full calendar year performance. The Abrix Group, LP assumes no liability for any dispute that may arise when the final purchase price calculation is made, assuming the final number is not $11,762,000.

The valuation is prepared on the assumption that the sale will be a majority interest in the Center and the 100% value be adjusted accordingly to the interest purchased.

Healthcare Management Consultants
Abrix

Salt Creek Surgery Center, LLC
Exhibit I
Historic Financial Statements

	2009	2010	2011	2012	12 Month Trailing 6/30/2013
Revenue:					
Surgery Service (charges)	11,390,463	12,114,341	14,276,416	12,586,063	
Ancillary Service (charges)					
Interest Income	1,390	4,071	2,724	1,876	
Other Income	1,890	2,312	3,550	3,356	
Deductions From Revenue (insurance discounts)	(6,334,358)	(6,557,008)	(7,695,376)	(7,018,747)	
Total Income	5,059,385	5,563,716	6,587,314	5,572,548	
Expenses:					
Salaries	1,372,777	1,397,638	1,371,310	1,451,077	
Repairs and Maintenance	86,393	102,401	103,461	107,045	
Management Fees	424,017	431,440	495,362	442,674	
Surgical Instruments/Supplies	1,149,128	1,241,476	1,161,256	921,825	
Contracted Services	33,124	30,425	28,359	31,309	
Facilites Expense	82,834	84,593	75,854	83,083	
Utilities	84,639	84,815	83,877	83,301	
Rent Expense	301,673	304,884	308,095	311,306	
Professional Fees	37,841	18,639	53,477	49,187	
Insurance	100,218	88,083	82,676	75,024	
Depreciation	101,874	83,842	142,655	48,182	
Retirement Plans	15,598	17,394	18,888	17,900	
Employee Benefits	50,524	72,516	92,867	85,674	
General Admin	124,186	127,394	153,601	154,857	
Taxes and Licenses	177,536	181,318	196,934	233,991	
Interest	14,505	10,302	7,091	3,880	
Marketing	-	-	-	-	
Total Expenses	4,156,867	4,277,160	4,375,763	4,100,315	
Net Income	902,518	1,286,556	2,211,551	1,472,233	1,483,200 (note 1)

Note 1: Unverified management amount

DRAFT - For Discussion Purposes Only

Salt Creek Surgery Center, LLC
Exhibit II
Adjusted Revenue

	2009	2010	2011	2012
Total Revenue	5,059,385	5,563,716	6,587,314	5,572,548
Less:				
Interest Income	(1,390)	(4,071)	(2,724)	(1,876)
Other Income	(1,890)	(2,312)	(3,550)	(3,356)
Total Practice Receipts	5,056,105	5,557,333	6,581,040	5,567,316

Salt Creek Surgery Center, LLC
Exhibit III
Adjusted Operating Expenses

		12/31/2009	12/31/2010	12/31/2011	12/31/2012
Unadjusted Total Expenses		4,156,867	4,277,160	4,375,763	4,100,315
Add:	Accrual to Cash Adjustment	-	-	-	-
Less:	Depreciation	(101,874)	(83,842)	(142,655)	(48,182)
	Interest Expense	(14,505)	(10,302)	(7,091)	(3,880)
	Rent Expense Adjustment	6,493	1,523	7,051	(3,389)
Total Adjusted Operating Expenses		4,046,981	4,184,539	4,233,068	4,044,864

Salt Creek Surgery Center, LLC
Exhibit IV
Total Ownership as of June 30, 2013

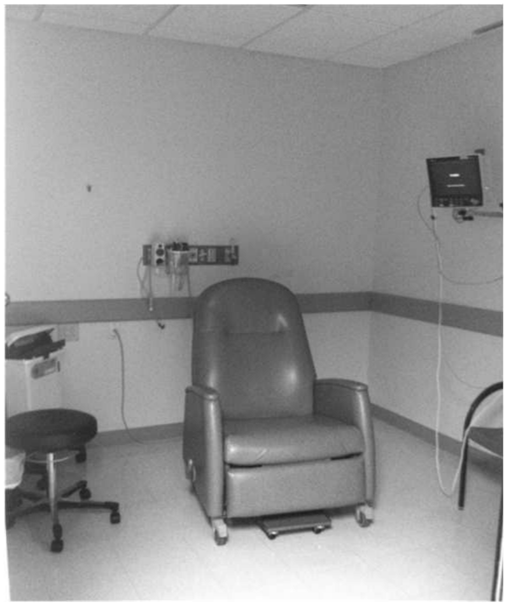
Physician Name		Specialty	Shares Owned
Giri	Burra	Ortho	1.00
Steven	Chudik	Ortho	1.00
Michael	Collins	Ortho	1.00
Robert	Daley	Ortho	1.00
Benjamin	Domb	Ortho	1.00
Michael	Durkin	Ortho	1.00
Bradley	Dworsky	Ortho	1.00
William	Gilligan	Ortho	1.00
Mark	Lorenz	Ortho	1.00
Steven	Louis	Ortho	1.00
Victor	Romano	Ortho	1.00
Kenneth	Schiffman	Ortho	1.00
Paul	Trksak	Ortho	1.00
Leah	Urbanosky	Ortho	1.00
Robyn	Vargo	Ortho	1.00
Michael	Zindrick	Ortho	1.00
Matthew	Bueche	Ortho	1.00
Dale	Buranosky	Podiatry	1.00
Rahul	Gokhale	Ortho	1.00
Kamal	Ibrahim	Ortho	1.00
Troy	Karlsson	Ortho	1.00
Andrew	Kim	Ortho	1.00
Lawrence	Lieber	Ortho	1.00
Brian	Lindell	Ortho	1.00
Steven	Mash	Ortho	1.00
Steven	Mather	Ortho	1.00
Brian	Murphy	Ortho	1.00
Dalip	Pelinkovic	Ortho	1.00
John	Reilly	Ortho	1.00
David	Tulipan	Ortho	1.00
Samuel	Vinci	Podiatry	1.00
Robert	Welch	Ortho	1.00
K.	Alden	Ortho	1.00
B.	Lapinski	Ortho	0.67
GRAND TOTAL			**33.67**

Salt Creek Surgery Center, LLC
Exhibit V
Value Using EBITDA Multiple

		Cash Basis
Net Income (12 Month Trailing 6/30/2013)		1,483,200
Non-Recurring Expenses		36,477
Plus:		
	Interest	4,616
	Taxes	51,517
	Depreciation	104,494
	Amortization	0
EBITDA		1,680,304
EBITDA (7x Multiple)		11,762,128
Fair Market Value Rounded		**11,762,000**

Note: All amounts used above are unverifed management amounts

Salt Creek Surgery Center
Exhibit A




1


2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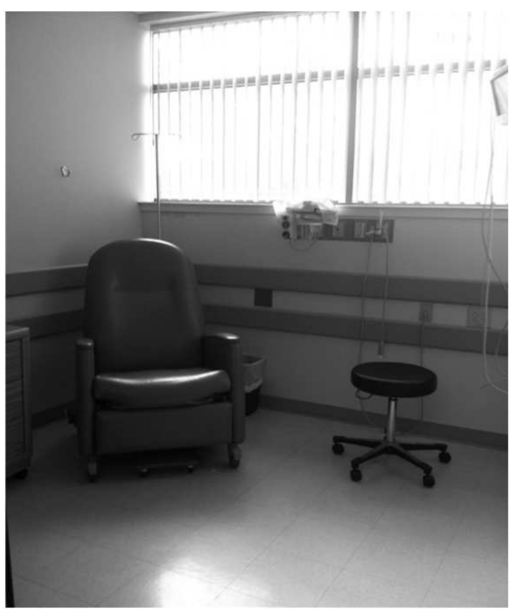


2


KOHLER